Financial Position of States

*286. SHRI A. VIJAYA RAGHAVAN: Will the Minister of FINANCE AND COMPANY AFFAIRS be pleased to state:

(a) whether many State Governments are in debt and in difficult financial position;

(b) if so, the details in this regard including the amount of debt of all such State Governments as on date, category-wise;

(c) the details of the steps initiated to improve the financial position of State Governments;

(d) whether permission is granted to a few State Governments for taking loan from international agencies; and

(e) if so, the details of such State Governments, international agencies and the amount asked for and the amount for which permission has been granted?

THE MINISTER OF FINANCE AND COMPANY AFFAIRS (SHRI JASWANT SINGH): (a) to (e) A Statement is placed on the Table of the House.

Statement

(a) and (b) Yes, Sir. Inadequacy of receipts, growing expenditure and enhanced demands on State exchequers has resulted in a serious deterioration in the finances of State Governments. The outstanding stock of debt has risen sharply during the past five years to unsustainable levels. RBI has estimated the outstanding stock of debt at Rs. 5,91,831 crores as on 31st March, 2002. The table below gives category-wise details of loans outstanding as on 31st March, 2002.

(Rs. in crores)

S.No.	Particulars	Loans outstanding
1.	Market Loan	96,295
2.	Ways & Means Advance	4,051
3.	Negotiated Loans	45,594
4.	Loans & Advances from Central Government	247,030
5.	Special Securities issued to National Small Saving Fund	92,870
6.	Provident Funds etc.	105,993

(c) Short term assistance extended by Government of India (Gol), to help States manage their day to day operations, *inter-alia,* include Ways & Means advance and release of feasible monthly entitlements of Central assistance and devolutions to States.

As incentives towards fiscal consolidation by the States, the Gol has created the State Fiscal Reform Facility 2000-01 to 2004-05. This is in accordance with the recommendations of the Eleventh Finance Commission. States are enjoined to draw up their Medium Term Fiscal Reforms Programme aiming at reducing their Revenue Deficit and Gross Fiscal Deficit over the reform period. In addition the programme also aim at bring down the stock of debt and guarantees to sustainable levels by 2004-05. Gol has also proposed a debt swap mechanism to facilitate States to retire their stock of high cost of Gol loans and advances.

(d) No, Sir. States cannot receive any loans directly from International Agencies.

(e) Does not arise.

SHRI A.VIJAYA RAGHAVAN: Sir, the answer, which has been given here, reflects an alarming situation prevailing throughout the country. Almost all the States are in red. For example, in U.R, the monthly income is only Rs. 1600 crores and the expenditure is nearly Rs. 2000 crores. Whatever income earned by a State is not sufficient, even to pay the salary bills and for the repayment of loans taken by the State Governments. In such a situation, urgent steps should be taken from the Central Government, in order to assist the States. I am glad to hear from the Minister...

MR. CHAIRMAN: Don't give instances...*{Interruptions)* Put straight questions; otherwise, I will not allow...

SHRI A. VIJAYA RAGHAVAN: Secondly, the main problem is with regard to the payment of debt and interest. In this regard, I would like to know whether the Government would take some steps. Though all over the world the interest rates have come down, yet, the same interest rates are being levied by the Central Government in the loans borrowed by the State Governments. Keeping that in mind, whether the Central Government will reduce the existing rate of interest on the loans borrowed by the State Governments from the Central Government.This matter is already before the eleventh Finance Commission.

SHRI JASWANT SINGH: Sir, Shri Raghavan brings in the question of the Finance Commission into this. But the question of reducing the debt burden on the States, which, I think, what the hon. Member really is principally concerned about. It is a valid point. As the hon. Member knows, we already have in place a debt swap scheme which we have discussed with the States concerned. And if the States would accept this debt swapping scheme the whole gamut of connected issues which are also involved, in the first tranche itself about Rs. 33,000 crores of more expensive debt will be retired. It will be a debt at a much lower rate of interest than that is required to be serviced by the States. It is a question of the States moving purposefully in this direction.

SHRI A. VIJAYA RAGHAVAN: Actually, it covers 36 per cent of the total loan of the States. I think there should be some kind of a moratorium for a short period. You have to consider this matter. Secondly. ...*(Interruptions)*...

MR. CHAIRMAN: I request the hon. Member to put a straight question. Otherwise, I will not allow and take up the next question.

SHRI A. VIJAYA RAGHAVAN: I am mentioning it because I did not get a straight answer. ...*(Interruptions)*... Sir, only one-third of the issue has been covered. Sir, the main thing is that the States have been overburdened due to the Fifth Pay Commission. ...*(Interruptions)*...

MR. CHAIRMAN; You are repeating all these things which you have already stated.

SHRI A. VIJAYA RAGHAVAN: So, i would like to know whether the Central Government will give any special ways and means advances from the Reserve Bank of India for a short period to assist the States which have the burden of the 'Fifth Pay Commission' recommendations. ...*(Interruptions)*...

SHRI JASWANT SINGH: Sir, the hon. Member has enquired whether on account of the implications of the Pay Commission, there will be any special ways and means advances.... The generality is that the ways and means advances are governed by certain norms, certain accepted conditionalities. The Reserve Bank of India very much does it. We do not grant ways and means advances. We have however, ...*(Interruptions)*...

SHRI A. VIJAYA RAGHAVAN: That was assured earlier. ...*{Interruptions)*...

SHRI JASWANT SINGH: So far as the State finances are concerned and the ways and means are concerned, we are sympathetic to the total question. But I cannot give a blanket assurance that all requirements of the States, at all times, through ways and means will be met.

SHRI NILOTPAL BASU: Mr. Chairman, Sir, in fact, here in this House in the past also the Minister had been talking of debt swapping and going from higher interest rate regime to lower interest rate regime. But what exactly is going to be done because the spread that is there, the interests which the States have to pay and interests that the Central Government has to pay, there is a more than 4 per cent spread? Specifically, what spread reduction will take place and tentatively what will be the time schedule because this House has already discussed this issue and there were concrete commitments given by the Finance Minister?

SHRI JASWANT SINGH: There are two connected questions, when it is likely to be done and there is a suggestion that the spread of interest rate in the case of the Union Government and the State Governments, the differential is about 4 per cent. I do not know to which particular debt the hon. Member refers to. I am personally unaware of any debt of that kind.There are debt differentials exist and rightly for good reasons. So far as implementing the debt swap scheme is concerned, I have personally sat with the Finance Ministers of the States; the Prime Minister has sat with the Chief Ministers of the States. After all, after the debt swap, the interest rate spread reduction will be about 6.5 per cent and there is no differential between one per cent between the Government of India and the interest rates to the States.

SHRI N.K. PREMACHANDRAN: Mr. Chairman, Sir, my supplementary is relating to parts (d) and (e) of the main question. The reply to part (d) of the main question says, "No, Sir. The States cannot receive any loans directly from International Agencies." Sir, the Government of Kerala entered into an agreement, on November 18, at Manila, with the Asian Development Bank, for a loan. So, *i* would like to know from the hon. Minister whether the Government of India are aware of this. If so, what are the conditions for availing of loan from the ADB? The loan, proposed to be taken, by the Government of Kerala, from the

ADB, through an agreement, may be for structural reforms or any other projects to which the Government of India is also a party.

SHRI JASWANT SINGH: Sir, I stand by what I said in my reply that no State Government can enter into direct negotiations for foreign loans. The hon. Member referred to a specific loan to the Government of the State which he represents. I think, it is, really, better to put this question to his State Government.

Growth of Indian Economy

*287. SHRIMATI AMBIKA SONI:
DR.T SUBBARAMI REDDY:†

Will the Minister of FINANCE AND COMPANY AFFAIRS be pleased to state:

(a) whether economists have forecast that the Indian economy would grow by 4.8 per cent as against Government's estimates of 5.5 per cent in 2002-2003, as reported in the Economic times dated the 8th September, 2002;

(b) if so, whether economists have also warned that if Government does not accelerate reform process, the country would not be able to achieve substantially high growth levels, as reported in the Financial Express dated the 5th July, 2002;

(c) if so, to what extent Government have examined these reports and suggestions; and

(d) what steps are being taken to speed up reforms for higher growth?

THE MINISTER OF FINANCE AND COMPANY AFFAIRS (SHRI JASWANT SINGH): (a) to (d): A Statement is placed on the Table of the House.

Statement

(a) to (d) The Economic Times dated September 8, 2002 had not reported any forecast on growth of the Indian economy. The Financial Express dated July 5,2002 had reported the proceedings of a debate on the state of Indian economy organised by the Confederation of Indian

† The question was actually asked on the floor of the House by Dr. T. Subbarami Reddy.